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QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Fifteenth Annual Report



For the Year Ended December 31, 1966

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)



Head Office:

1155 Dorchester Blvd. W.,
Montreal, Quebec.

Executive Office:

67 Yonge Street
Toronto, Ontario.

CAPITAL

Authorized: 3,500,000 shares \$1.00 Par Value

OFFICERS

ROBERT D. HOFFMAN - - - - - *President*
F. W. THOMPSON - - - - - *Vice-President*
D. J. HOFFMAN - - - - - *Vice-President*
B. A. ORR - - - - - *Vice-President*
B. A. ORR - - - - - *Secretary-Treasurer*

DIRECTORS

ROBERT D. HOFFMAN - - - - - New York
FRED W. THOMPSON - - - - - Haileybury
B. A. ORR - - - - - Toronto
L. B. NORRIE - - - - - New York
D. J. HOFFMAN - - - - - New York

TRANSFER AGENTS AND REGISTRARS

GUARDIAN TRUST COMPANY
618 St. James Street, Montreal, Quebec

EASTERN AND CHARTERED TRUST COMPANY
34 King St. West, Toronto, Ontario

QUEBEC COBALT AND EXPLORATION LIMITED

Directors' Report to Shareholders

Montreal, Quebec,
March 10, 1967.

TO THE SHAREHOLDERS:

Your Directors herewith submit a report of operations and the financial statements of the Company for the fiscal year ended December 31, 1966, together with the Auditors' Report to Shareholders.

Please note that we are holding the Annual Meeting of Shareholders this year at our Toronto office, Suite 301, 67 Yonge Street, Toronto 1, Ontario, Canada.

IRON PROPERTIES, MT. WRIGHT, QUEBEC

As we have stated in our previous Reports, the chief equity of Quebec Cobalt and Exploration Limited is the extensive iron ore property in the Mt. Wright area of Quebec, leased to Jones & Laughlin Steel Corporation and Cleveland-Cliffs Iron Company for a period of 99 years through Normanville Mining Company, a wholly-owned subsidiary, from which your Company receives minimum advance royalties of \$100,000 annually, payable in quarterly instalments of \$25,000.

During 1966, Jones & Laughlin was active at this mining property in Quebec. The work consisted of detailed geophysical magnetometer survey along some 40 miles of lines to delimit the boundaries of various iron formations. In addition, some 1,740 feet of shallow drilling was done to determine geological structure.

Your President again visited these iron properties at Mt. Wright in 1966, as well as all the operating major iron properties in the Quebec-Labrador trough. As stated in our previous reports, our Quebec Cobalt and Exploration Limited property remains the only iron deposit in the Quebec-Labrador trough, possessing large ore reserves under a lease to two major steel companies, not in production. Your Company continues to receive the royalties from Normanville Mining Company.

QUEBEC PLATINUM MINES LIMITED

No work was done on this property during 1966 and the number of claims held was drastically reduced. Due to the increased taxation and new work requirements of the Quebec Department of Natural Resources, it was felt advisable to reduce other holdings in the Province.

OIL VENTURES

The Clark Oil Group in Oklahoma, a water flood operation, has improved somewhat but the success of the venture is still not assured. A new gas well has been drilled in the acreage in which the Clark Oil Group retains a minority percent.

GENERAL

Again your Staff Manager, President and Field Geologist, were active in the Eastern mining areas, the Western United States, and in British Columbia but no properties were acquired. Your Company continues to husband its financial resources, even increasing them each year, in the hope that a property worthy of development will be brought to its attention. Field activities will be continued for 1967.

By Order of the Board,

ROBERT D. HOFFMAN,

President.

QUEBEC COBALT AND

(No Person
Incorporated under

Balance Sheet— (with comparative figures)

ASSETS

	1966	1965
CURRENT ASSETS:		
Cash and term bank deposits	\$ 118,688	\$ 47,358
Accounts receivable	35,643	28,599
Due from associated companies	5,500	
Claim for refund of U.S. withholding tax	3,085	2,955
	<u>162,916</u>	<u>78,912</u>
SECURITIES:		
Quoted shares and trust units at cost (quoted market value, 1966 — \$969,743; 1965 — \$975,306)	574,486	493,338
Other securities at cost less amounts written off	66,622	65,707
Shares in subsidiary company at cost less amount written off (note 1)		7,500
	<u>641,108</u>	<u>566,545</u>
MINING CLAIMS:		
Interest in mining claims in the Mount Wright Area, Quebec, held under development licenses, acquired for 1,000,000 shares of the company's capital stock issued at 3¢ per share and \$1,001 cash	31,001	31,001
Interest in mining claims in Mann Township, Ontario, at cost	950	
Interest in mining claims in Rouyn Township, Quebec, at cost	250	
	<u>32,201</u>	<u>31,001</u>
OTHER ASSETS AND DEFERRED CHARGES:		
Special refundable tax	5,000	
Automobile at cost less accumulated depreciation	1,372	1,959
Participations in oil well ventures	61	61
Organization expenses	2,580	2,580
	<u>9,013</u>	<u>4,600</u>
	<u>\$ 845,238</u>	<u>\$ 681,058</u>

AUDITORS' REPORT

We have examined the balance sheet of Quebec Cobalt and Exploration Limited, showing earnings and source and application of funds for the year then ended and have obtained a review of the accounting procedures and such tests of accounting records and other statements as we considered necessary.

In our opinion, and according to the best of our information and the explanation properly drawn up so as to exhibit a true and correct view of the state of the affairs and application of its funds for the year then ended, in accordance with generally accepted accounting principles, the balance sheet is fairly presented.

Toronto, Canada,
February 17, 1967.

EXPLORATION LIMITED

liability)
laws of Quebec

December 31, 1966

at December 31, 1965)

LIABILITIES

CURRENT LIABILITIES:

	1966	1965
Accounts payable and accrued liabilities	\$ 22,880	\$ 27,176
Taxes payable	30,000	
	<u>52,880</u>	<u>27,176</u>

OTHER LIABILITIES:

Accrued pension liability (note 2)	38,800	19,400
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SHAREHOLDERS' EQUITY:

Capital stock

Authorized — 3,500,000 shares of \$1 each

Issued — 3,500,000 shares 3,500,000 3,500,000

Less discount on shares 2,916,496 2,916,496

583,504 583,504

Retained earnings 170,054 50,978

753,558 634,482

Approved on behalf of the Board:

FRED W. THOMPSON, Director.

B. A. ORR, Director.

\$ 845,238 \$ 681,058

THE SHAREHOLDERS

(No Personal Liability) as at December 31, 1966 and the statements of income, retained
the information and explanations we have required. Our examination included a general
gathering evidence as we considered necessary in the circumstances.

Given to us and as shown by the books of the company, these financial statements are
of the company as at December 31, 1966 and the results of its operations and the source
of accounting principles applied on a basis consistent with that of the preceding year.

GUNN, ROBERTS AND CO.,
Chartered Accountants.

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Statement of Income

Year ended December 31, 1966
(with comparative figures for 1965)

	1966	1965
REVENUE:		
Royalties from lease of mining claims	\$ 108,000	\$ 107,719
Dividends and other royalties received	157,443	23,554
Interest earned	4,106	1,169
Loss on oil well operations	(4,336)	(4,182)
	<u>265,213</u>	<u>128,260</u>
EXPENSES:		
Exploration:		
Geologist's salary and expenses	10,317	10,208
Prospectors' salaries	12,000	12,000
Travelling and other prospecting expenses	14,447	10,374
Depreciation of automobile	587	840
	<u>37,351</u>	<u>33,422</u>
ADMINISTRATIVE AND GENERAL:		
Office services	23,365	21,377
Shareholders' reports and meetings	1,486	2,075
Directors' fees	628	300
Directors' expenses	1,457	690
Share transfer expenses	3,383	3,037
Legal and audit expense	1,745	1,245
Executive salaries	22,200	22,172
Provision for pension costs	19,400	19,400
Other administrative and general expenses	2,622	2,715
	<u>76,286</u>	<u>73,011</u>
	<u>113,637</u>	<u>106,433</u>
Deduct amount written off shares in subsidiary company	151,576	21,827
	<u>7,500</u>	<u>20,000</u>
INCOME before income taxes	144,076	1,827
Income taxes (note 3)	25,000	
NET INCOME for the year	<u>\$ 119,076</u>	<u>\$ 1,827</u>

Statement of Retained Earnings

Year ended December 31, 1966
(with comparative figures for 1965)

	1966	1965
Balance January 1	\$ 50,978	\$ 49,151
Net income for the year	119,076	1,827
Balance December 31	<u>\$ 170,054</u>	<u>\$ 50,978</u>

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Statement of Source and Application of Funds

Year ended December 31, 1966
(with comparative figures for 1965)

	1966	1965
SOURCE OF FUNDS:		
Net income for the year	\$ 119,076	\$ 1,827
Add items not requiring current outlay:		
Depreciation	587	840
Amount written off shares in subsidiary company	7,500	20,000
Provision for pension costs	19,400	19,400
	<u>146,563</u>	<u>42,067</u>
APPLICATION OF FUNDS:		
Purchases of securities	82,063	40,586
Purchase of mining claims	1,200	
Participations in oil well ventures		14
Purchase of automobile less disposal		2,024
	<u>83,263</u>	<u>42,624</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 63,300</u>	<u>\$ (557)</u>

Notes to Financial Statements

December 31, 1966

1. SUBSIDIARY COMPANY

The subsidiary company has abandoned a number of its mining claims and has written off to deficit a proportionate amount of the cost of the claims and of the exploration and administrative expenditures applicable thereto. Consolidated financial statements have not been prepared as the assets and liabilities of the subsidiary company are not material in relation to those of the company.

2. PENSION COSTS

The company has agreed to pay pensions to certain employees upon their retirement. The pension cost related to past services of employees and not provided for at December 31, 1966 is estimated to amount to approximately \$55,000.

3. INCOME TAXES

Due to losses for tax purposes in prior years, and the deduction for tax purposes of depletion allowances, income taxes for 1966 are reduced by approximately \$53,000 and no income taxes were payable for 1965. Income taxes for 1966 would otherwise have amounted to approximately \$78,000.



